

TOWN OF LAKE ARTHUR, LOUISIANA
ANNUAL FINANCIAL REPORT
JULY 31, 2013

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TOWN OF LAKE ARTHUR, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended July 31, 2013

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TOWN OF LAKE ARTHUR, LOUISIANA

July 31, 2013

MAYOR

The Honorable Robert B. Bertrand

BOARD OF ALDERMEN

Ms. Dorothy Charles
Ms. Sherry Crochet
Mr. Ellsworth Duhon

Mr. David Hanks
Mr. Troy Trahan

LEGAL COUNSEL

Mr. Bennett LaPoint

TOWN CLERK

Mrs. Cynthia Mallett

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McELROY, QUIRK & BURCH

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04998.000 Audit 7/31/2013 1100.001 financial report

Robert M. Gani, CPA, MT
Mollie C. Broussard, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFPSM
Billy D. Fisher, CPA
Joe G. Peshoff, II, CPA, CVA
David M. DesOrmeaux, CPA

Michael N. McGee, CPA
Paula J. Thompson, CPA
Robin Anderson Conrad, CPA



Judson J. McCann, Jr., CPA, Retired
Martin L. Chehovsky, CPA, CFE, CFPSM
Carl W. Comeaux, CPA, Retired

CFE - Certified Fraud Examiner
CFE - Certified Financial Forensics
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

REPORT OF INDEPENDENT AUDITORS

Honorable Mayor and Board of Aldermen
Town of Lake Arthur
Lake Arthur, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana, as of and for the year ended July 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana as of July 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Street and Alley Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lake Arthur's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2014, on our consideration of the Town of Lake Arthur, Louisiana's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Lake Arthur, Louisiana's internal control over financial reporting and compliance.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Burch

Lake Charles, Louisiana
January 17, 2014

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF NET POSITION
July 31, 2013

| | Governmental Activities | Business- Type Activities | Total |
|---|----------------------------|---------------------------------|----------------------|
| ASSETS | | | |
| Cash | \$ 929,593 | \$ 529,360 | \$ 1,458,953 |
| Investments | 1,502,534 | 439,654 | 1,942,188 |
| Receivables | 34,993 | 44,649 | 79,642 |
| Prepays | - | 3,732 | 3,732 |
| Due from other funds | 344,503 | (344,503) | - |
| Restricted cash | - | 74,518 | 74,518 |
| Capital assets: | | | |
| Land and construction in progress | 893,777 | 9,604 | 903,381 |
| Capital assets, net of accumulated depreciation | <u>4,741,699</u> | <u>2,471,666</u> | <u>7,213,365</u> |
| Total assets | <u>8,447,099</u> | <u>3,228,680</u> | <u>11,675,779</u> |
| LIABILITIES | | | |
| Accounts and other accrued payables | 53,076 | 24,503 | 77,579 |
| Customer meter deposits | - | 74,518 | 74,518 |
| Other payables | 29,565 | 8,230 | 37,795 |
| Long-term liabilities: | | | |
| Due within one year | 64,086 | 172,914 | 237,000 |
| Due after one year | <u>560,037</u> | <u>132,963</u> | <u>693,000</u> |
| Total liabilities | <u>706,764</u> | <u>413,128</u> | <u>1,119,892</u> |
| NET POSITION | | | |
| Investment in capital assets, net of related debt | 5,011,353 | 2,175,393 | 7,186,746 |
| Restricted for: | | | |
| Debt service | 373,403 | - | 373,403 |
| Streets and drainage | 253,579 | - | 253,579 |
| Unrestricted | <u>2,102,000</u> | <u>640,159</u> | <u>2,742,159</u> |
| Total net assets | <u>\$ 7,740,335</u> | <u>\$ 2,815,552</u> | <u>\$ 10,555,887</u> |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF ACTIVITIES
Year Ended July 31, 2013

| <u>Activities</u> | <u>Expenses</u> | <u>Program Revenues</u> | |
|-------------------------------|-----------------|---|---|
| | | <u>Fees, Fines and Charges for Services</u> | <u>Operating Grants and Contributions</u> |
| Governmental activities: | | | |
| General government | \$ 318,080 | \$ 99,522 | \$ - |
| Highways and streets | 426,141 | - | - |
| Public safety | 596,054 | 31,526 | 33,884 |
| Health and recreation | 482,172 | 284,464 | - |
| Economic development | 218,335 | 11,917 | 23,846 |
| Community center | 54,392 | - | - |
| Total governmental activities | 2,095,174 | 427,429 | 57,730 |
| Business-type activities: | | | |
| Water and sewer | 414,313 | 416,308 | - |
| Total activities | \$ 2,509,487 | \$ 843,737 | \$ 57,730 |

General revenues:

Taxes:

 Property taxes
 Sales and use taxes
 Franchise taxes
Intergovernmental
Interest and investment earnings
Miscellaneous
Transfers

 Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

See accompanying notes to financial statements

| (Expense) Revenues and Changes in Net Assets | | | |
|---|----------------------------|---------------------------------|-----------------------|
| Capital Grants | Governmental Activities | Business- Type Activities | Total |
| \$ - | \$ (218,558) | \$ - | \$ (218,558) |
| 1,000 | (425,141) | - | (425,141) |
| - | (530,644) | - | (530,644) |
| - | (197,708) | - | (197,708) |
| - | (182,572) | - | (182,572) |
| - | (54,392) | - | (54,392) |
| 1,000 | (1,609,015) | - | (1,609,015) |
| - | - | 1,995 | 1,995 |
| <u>\$ 1,000</u> | <u>\$ (1,609,015)</u> | <u>\$ 1,995</u> | <u>\$ (1,607,020)</u> |

| | | |
|---------------------|---------------------|----------------------|
| \$ 239,449 | \$ - | \$ 239,449 |
| 685,840 | 94,549 | 780,389 |
| 118,872 | - | 118,872 |
| 33,234 | - | 33,234 |
| 6,363 | 1,612 | 7,975 |
| 196,549 | 31,263 | 227,812 |
| 13,022 | (13,022) | - |
| <u>1,293,329</u> | <u>114,402</u> | <u>1,407,731</u> |
| (315,686) | 116,397 | (199,289) |
| <u>8,056,021</u> | <u>2,699,155</u> | <u>10,755,176</u> |
| <u>\$ 7,740,335</u> | <u>\$ 2,815,552</u> | <u>\$ 10,555,887</u> |

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FUND FINANCIAL STATEMENTS

TOWN OF LAKE ARTHUR, LOUISIANA
BALANCE SHEET - GOVERNMENTAL FUNDS
July 31, 2013

| ASSETS | <u>General</u> | <u>Street & Alley</u> |
|-------------------------------------|---------------------|-------------------------------|
| ASSETS | | |
| Cash | \$ 505,525 | \$ 72,614 |
| Investments | 1,281,956 | 40,000 |
| Receivables | 34,993 | - |
| Due from other funds | <u>342,094</u> | <u>885</u> |
| Total assets | <u>\$ 2,164,568</u> | <u>\$ 113,499</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts payable | \$ 42,087 | \$ 9,956 |
| Other payables | <u>20,481</u> | <u>-</u> |
| Total liabilities | <u>62,568</u> | <u>9,956</u> |
| Fund balances: | | |
| Restricted for: | | |
| Street and alley maintenance | - | 103,543 |
| Drainage maintenance | - | - |
| Sidewalk maintenance | - | - |
| Debt service | - | - |
| Unassigned | <u>2,102,000</u> | <u>-</u> |
| Total fund balances | <u>2,102,000</u> | <u>103,543</u> |
| Total liabilities and fund balances | <u>\$ 2,164,568</u> | <u>\$ 113,499</u> |

The accompanying notes are an integral part of the basic financial statements.

| Combined Bond Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------|-----------------------------------|--------------------------------|
| \$ 201,859 | \$ 149,595 | \$ 929,593 |
| 180,578 | - | 1,502,534 |
| - | - | 34,993 |
| 50 | 1,474 | 344,503 |
| <u>\$ 382,487</u> | <u>\$ 151,069</u> | <u>\$ 2,811,623</u> |

| | | |
|--------------|--------------|---------------|
| \$ - | \$ 1,033 | \$ 53,076 |
| 9,084 | - | 29,565 |
| <u>9,084</u> | <u>1,033</u> | <u>82,641</u> |

| | | |
|-------------------|-------------------|---------------------|
| - | - | 103,543 |
| - | 95,178 | 95,178 |
| - | 54,858 | 54,858 |
| 373,403 | - | 373,403 |
| - | - | 2,102,000 |
| <u>373,403</u> | <u>150,036</u> | <u>2,728,982</u> |
| <u>\$ 382,487</u> | <u>\$ 151,069</u> | <u>\$ 2,811,623</u> |

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TOWN OF LAKE ARTHUR, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENT OF NET ASSETS
July 31, 2013

| | |
|--|---------------------|
| Total fund balance for governmental funds at July 31, 2013 | <u>\$ 2,728,982</u> |
| Total net position reported for governmental activities in the statement of net assets is different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of: | |
| Land and construction in progress | 893,777 |
| Capital assets, net of \$2,260,750 accumulated depreciation | <u>4,741,699</u> |
| | <u>5,635,476</u> |
| Long-term liabilities at July 31, 2013: | |
| Bonds payable | <u>(624,123)</u> |
| Total net position of governmental activities at July 31, 2013 | <u>\$ 7,740,335</u> |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended July 31, 2013

| | <u>General</u> | <u>Street & Alley</u> |
|---|---------------------|-------------------------------|
| Revenue: | | |
| Taxes | \$ 689,213 | \$ 260,000 |
| Licenses and permits | 99,522 | - |
| Intergovernmental | 67,118 | - |
| Charges for services | 253,580 | - |
| Fines | 31,526 | - |
| Grants | 500 | - |
| Interest | 5,842 | 142 |
| Other | 253,474 | 9,220 |
| Total revenues | <u>1,400,775</u> | <u>269,362</u> |
| Expenditures: | | |
| Current: | | |
| General and administrative | 306,926 | - |
| Highways and streets | - | 281,644 |
| Public safety | 820,064 | - |
| Health and recreation | 413,100 | - |
| Economic development | 218,335 | - |
| Community center | 26,547 | - |
| Other | 47 | - |
| Debt service: | | |
| Principal | - | - |
| Interest | 2,068 | - |
| Total expenditures | <u>1,787,087</u> | <u>281,644</u> |
| Excess (deficiency) of revenues over expenditures | <u>(386,312)</u> | <u>(12,282)</u> |
| Other financing sources (uses): | | |
| Bond proceeds | 159,123 | - |
| Operating transfers in | 13,022 | - |
| Total other financing sources (uses) | <u>172,145</u> | <u>-</u> |
| Net changes in fund balance | (214,167) | (12,282) |
| Fund balance, beginning | <u>2,316,167</u> | <u>115,825</u> |
| Fund balance, ending | <u>\$ 2,102,000</u> | <u>\$ 103,543</u> |

The accompanying notes are an integral part of the basic financial statements.

| Combined Bond Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------|-----------------------------------|--------------------------------|
| \$ 33,824 | \$ 61,123 | \$ 1,044,160 |
| - | - | 99,522 |
| - | - | 67,118 |
| - | - | 253,580 |
| - | - | 31,526 |
| - | - | 500 |
| 1,277 | 105 | 7,366 |
| - | - | 262,694 |
| <u>35,101</u> | <u>61,228</u> | <u>1,766,466</u> |

| | | |
|---------------|---------------|------------------|
| - | - | 306,926 |
| - | 89,295 | 370,939 |
| - | - | 820,064 |
| - | - | 413,100 |
| - | - | 218,335 |
| - | - | 26,547 |
| - | - | 47 |
| 50,000 | - | 50,000 |
| 22,429 | - | 24,497 |
| <u>72,429</u> | <u>89,295</u> | <u>2,230,455</u> |

| | | |
|-----------------|-----------------|------------------|
| <u>(37,328)</u> | <u>(28,067)</u> | <u>(463,989)</u> |
|-----------------|-----------------|------------------|

| | | |
|---|---|---------|
| - | - | 159,123 |
| - | - | 13,022 |
| - | - | 172,145 |

| | | |
|----------|----------|-----------|
| (37,328) | (28,067) | (291,844) |
|----------|----------|-----------|

| | | |
|----------------|----------------|------------------|
| <u>410,731</u> | <u>178,103</u> | <u>3,020,826</u> |
|----------------|----------------|------------------|

| | | |
|-------------------|-------------------|---------------------|
| <u>\$ 373,403</u> | <u>\$ 150,036</u> | <u>\$ 2,728,982</u> |
|-------------------|-------------------|---------------------|

TOWN OF LAKE ARTHUR, LOUISIANA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
STATEMENT OF ACTIVITIES
Year Ended July 31, 2013

Total net changes in fund balances at July 31, 2013
per statement of revenues, expenditures and changes
in fund balances \$ (291,844)

The change in net position reported for governmental
activities in the statement of activities is different
because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense.

Capital outlay which is considered expenditures on:

Statement of revenues, expenditures and changes in
fund balances

376,187

Depreciation expense for the year ended July 31, 2013

(290,906)

85,281

Governmental funds report bonded debt repayments as
expenditures. However, this expenditure does not appear
in the statement of activities since the payment is
applied against the bond payable on the statement of
net position

(109,123)

\$ (315,686)

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF NET POSITION - PROPRIETARY FUND
July 31, 2013

| | Business-Type Activities Enterprise Fund |
|---|---|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 529,360 |
| Investments | 439,654 |
| Receivables | 44,649 |
| Prepaid expenses | 3,732 |
| Total current assets | <u>1,017,395</u> |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | 74,518 |
| Fixed assets, net of accumulated depreciation | <u>2,481,270</u> |
| Total noncurrent assets | <u>2,555,788</u> |
| Total assets | <u>\$ 3,573,183</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 21,588 |
| Accrued interest payable | 2,915 |
| Other payables | 8,230 |
| Due to other funds | 344,503 |
| Customer meter deposits | 74,518 |
| Total current liabilities | <u>451,754</u> |
| Noncurrent liabilities: | |
| Due within one year | 172,914 |
| Due after one year | <u>132,963</u> |
| Total noncurrent liabilities | <u>305,877</u> |
| Total liabilities | <u>757,631</u> |
| NET POSITION | |
| Invested in capital assets, net of related debt | 2,175,393 |
| Unrestricted | <u>640,159</u> |
| Total net assets | <u>\$ 2,815,552</u> |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
 PROPRIETARY FUND
 Year Ended July 31, 2013

| | Business-Type Activities Enterprise Fund |
|--|---|
| Operating revenues: | |
| Charges for services | \$ 416,308 |
| Operating expenses: | |
| Personal services | 63,030 |
| Other services and charges | 54,432 |
| Materials and supplies | 45,975 |
| Heat, light and power | 54,539 |
| Depreciation | 187,054 |
| Total operating expenses | 405,030 |
| Operating income | 11,278 |
| Nonoperating revenues (expenses): | |
| Interest income | 1,612 |
| Interest fiscal charges | (9,283) |
| Grants | 94,549 |
| Miscellaneous | 31,263 |
| Total nonoperating revenues (expenses) | 118,141 |
| Income before operating transfers | 129,419 |
| Operating transfers out | (13,022) |
| Change in net position | 116,397 |
| Net position, beginning of year | 2,699,155 |
| Net position, end of year | \$ 2,815,552 |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended July 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|----------------|
| Cash received from customers | \$ 414,805 |
| Cash payments to suppliers for goods and services | (148,148) |
| Cash payments to employees for services | (63,030) |
| Net cash provided by operating activities | <u>203,627</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|--|---------------|
| Operating transfers (out) | (13,022) |
| Advances from (to) other funds | (24,160) |
| Sales tax | 94,549 |
| Net cash provided by noncapital financing activities | <u>57,367</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|------------------|
| Proceeds from new bonds | 145,877 |
| Principal payments on bonds | (155,000) |
| Interest paid on bonds | (9,283) |
| Miscellaneous | 31,263 |
| Purchase of property and equipment | (178,050) |
| Increase in customer deposits | 3,690 |
| Net cash (used in) capital and related activities | <u>(161,503)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|-----------------|
| Interest on investments | 1,612 |
| (Increase) in investments | (28,393) |
| Net cash (used in) investing activities | <u>(26,781)</u> |

Net increase in cash and cash equivalents 72,710

Cash and cash equivalents:

Beginning of year 531,168

End of year \$ 603,878

Cash and cash equivalents \$ 529,360

Restricted cash and cash equivalents 74,518

\$ 603,878

(continued on next page)

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended July 31, 2013
(Continued)

RECONCILIATION OF OPERATING (LOSS) TO NET CASH

PROVIDED BY OPERATING ACTIVITIES

| | |
|---|--------------|
| Operating income | \$ 11,278 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 187,054 |
| Changes in assets and liabilities: | |
| (Increase) in receivables | (1,503) |
| Increase in payables | <u>6,798</u> |

Net cash provided by operating activities \$ 203,627

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA
GENERAL FUND

BUDGETARY COMPARISON STATEMENT
Year Ended July 31, 2013

| | Original | Budget Final | Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|----------------------------------|
| REVENUES | | | | |
| Taxes | \$ 674,900 | \$ 674,900 | \$ 689,213 | \$ 14,313 |
| Licenses and permits | 92,000 | 92,000 | 99,522 | 7,522 |
| Intergovernmental | 69,800 | 69,800 | 67,118 | (2,682) |
| Charges for services | 325,850 | 275,850 | 253,580 | (22,270) |
| Fines | 23,000 | 23,000 | 31,526 | 8,526 |
| Interest | 6,000 | 6,000 | 5,842 | (158) |
| Other | 360,850 | 260,850 | 253,974 | (6,876) |
| Total revenues | <u>1,552,400</u> | <u>1,402,400</u> | <u>1,400,775</u> | <u>(1,625)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General and administrative | 304,982 | 304,982 | 306,926 | (1,944) |
| Public safety | 810,825 | 810,825 | 820,064 | (9,239) |
| Health and recreation | 377,650 | 402,650 | 413,100 | (10,450) |
| Economic development | 108,000 | 211,272 | 218,335 | (7,063) |
| Community center | 28,100 | 28,100 | 26,547 | 1,553 |
| Other | 22,850 | 22,850 | 47 | 22,803 |
| Debt service: | | | | |
| Interest | - | - | 2,068 | (2,068) |
| Total expenditures | <u>1,652,407</u> | <u>1,780,679</u> | <u>1,787,087</u> | <u>(6,408)</u> |
| (Deficiency) of revenues over expenditures | <u>(100,007)</u> | <u>(378,279)</u> | <u>(386,312)</u> | <u>(8,033)</u> |
| Other financing sources (uses): | | | | |
| Bond proceeds | 160,000 | 160,000 | 159,123 | (877) |
| Operating transfers in | - | - | 13,022 | 13,022 |
| Total other financing sources | <u>160,000</u> | <u>160,000</u> | <u>172,145</u> | <u>12,145</u> |
| Net changes in fund balance | 59,993 | (218,979) | (214,167) | 4,112 |
| Fund balance, beginning of year | <u>2,316,167</u> | <u>2,316,167</u> | <u>2,316,167</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 2,376,160</u> | <u>\$ 2,097,888</u> | <u>\$ 2,102,000</u> | <u>\$ 4,112</u> |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA
STREET AND ALLEY FUND

BUDGETARY COMPARISON STATEMENT
Year Ended July 31, 2013

| | Original | Budget Final | Actual | Variance with Final Budget |
|---|------------|-----------------|------------|----------------------------------|
| REVENUES | | | | |
| Taxes | \$ 232,000 | \$ 232,000 | \$ 260,000 | \$ 28,000 |
| Interest | 100 | 100 | 142 | 42 |
| Other | - | - | 9,220 | 9,220 |
| Total revenues | 232,100 | 232,100 | 269,362 | 37,262 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Highways and streets | 227,000 | 281,643 | 281,644 | (1) |
| Excess (deficiency) of revenues over expenditures | 5,100 | (49,543) | (12,282) | 37,261 |
| Fund balance, beginning of year | 115,825 | 115,825 | 115,825 | - |
| Fund balance, end of year | \$ 120,925 | \$ 66,282 | \$ 103,543 | \$ 37,261 |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

July 31, 2013

1) Summary of Significant Accounting Policies

The Town of Lake Arthur, Louisiana was incorporated in 1904, under the provisions of the Lawrason Act. The Town operates under a Mayor-Town Council form of government.

The accounting and reporting policies of the Town of Lake Arthur, Louisiana conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are controlled by, or dependent on the Mayor and Town Council of the Town of Lake Arthur, Louisiana. Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body and other general oversight authority.

Based on the foregoing criteria, the Town of Lake Arthur has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Town of Lake Arthur.

B. New Accounting Pronouncements

During the fiscal year ended July 31, 2013, the Town adopted GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. In April, 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, Items Previously Reported as Assets and Liabilities. The statement

clarifies the appropriate reporting of deferred outflows or resources or deferred inflows of resources to ensure consistency in financial reporting. The provisions of GASB Nos. 65 must be implemented by the Town for the year ending July 31, 2014. The effect of implementation of the Town's financial statements has not yet been determined.

C. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The various funds are grouped, in the financial statements in this report, into two broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specified sources" established that one or more specific restricted or committed revenues shall be the foundation for a special revenue fund.

Capital Projects Funds - These funds account for and report financial resources that are restricted, committed, or assigned for capital acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Measurement Focus and Basis of Accounting

Measurement focus refers to which transactions are recorded within various financial statements. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

The proprietary funds, also in the fund financial statements, are accounted for and reported using a flow of economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds are included on the balance sheet. The operating statements for the proprietary fund present increases or decreases in net total assets.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund balances:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net position:

Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

G. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- i.1. Prior to July 31, the Town Clerk submits to the Mayor and Council a proposed operating budget for the fiscal year commencing the following August 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comment.
3. Prior to July 31, the budget is legally enacted through passage of an ordinance.
4. Any revisions that alter total expenditures of any fund must be approved by the Council. Expenditures cannot legally exceed appropriations on a fund level.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted, or as amended by the Town Council.
7. All budgetary appropriations except for Capital Projects lapse at the end of each fiscal year.
8. Budgets are amended by resolution approved by the Town Council.

Encumbrance accounting is not used.

H. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and U.S. Government Agencies securities with maturities of three months or less.

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the Town to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the Town to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Town Council.

Investments are stated at cost.

I. Inventory

Purchase of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

J. Bad Debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the receivable.

K. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide or financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a minimum threshold level for capitalizing capital assets of \$1,500.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to the adoption of GASB 34, it was the Town's policy not to record infrastructure; therefore, the Town did not have a complete listing of infrastructure. The Town has opted not to do a detailed analysis of existing infrastructure, and will begin accumulating infrastructure information prospectively.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

| | |
|-------------------------|-------------|
| Water and sewer lines | 30 years |
| Machinery and equipment | 3-10 years |
| Autos and trucks | 3-5 years |
| Infrastructure | 10-40 years |

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

M. Restricted Assets

Restricted assets include cash and interest-bearing deposits of the governmental funds and proprietary funds that are legally restricted as to their use. The restricted assets are related to debt service interest sinking and reserve accounts and utility meter deposits. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

2) Cash, Cash Equivalents and Investments

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

In accordance with a fiscal agency agreement which is approved by the Town Council, the Town of Lake Arthur maintains demand and time deposits through local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district.

The Town's bank demand and time deposits at year end of \$3,518,924 (bank balances) were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the Town's name.

As of June 30, 2013, the Town had the following investments and maturities:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|-------------------------|--------------|----------------------------------|------|-------|--------------|
| | | Less Than 1 | 1-5 | 6-,10 | More Than 10 |
| Certificates of deposit | \$ 1,942,188 | \$ 1,942,188 | \$ - | \$ - | \$ - |

Interest rate risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments to United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having a principal office in the State of Louisiana. Local governments in Louisiana are authorized to invest in LAMP. The Town has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Town places no limit on the amount the Town may invest in any one issuer. All of the Town's investments are in certificates of deposit and insured money market accounts.

3) Ad Valorem Taxes

The Town levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the Town on property values assessed by the Jeff Davis Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

For the year ended July 31, 2013 taxes of 25.49 mills were levied on property with assessed valuations totaling \$9,439,278 and were dedicated as follows:

| | |
|------------------------------|------------|
| General corporate purposes | 8.03 mills |
| Drainage maintenance | 5.51 mills |
| Street and alley maintenance | 5.51 mills |
| Debt service | 3.60 mills |
| Recreation | 2.84 mills |

The Town property taxes are levied on November 1 and are due December 31, and are delinquent by January 1st. Delinquent property taxes attach as enforceable liens on property as of April 30.

4) Changes in Capital Assets

Capital asset activity for the year ended July 31, 2013, was as follows:

| | Beginning of Year | Additions | Deletions | End of Year |
|---|----------------------|-----------|-----------|----------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 893,777 | \$ - | \$ - | \$ 893,777 |
| Capital assets being depreciated: | | | | |
| Infrastructure | 3,924,085 | - | - | 3,924,085 |
| Buildings | 1,182,011 | - | - | 1,182,011 |
| Furniture and equipment | 518,916 | 43,631 | - | 562,547 |
| Vehicles | 1,009,879 | 332,556 | (8,629) | 1,333,806 |
| Total capital assets being depreciated | 6,634,891 | 376,187 | (8,629) | 7,002,449 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 443,155 | 133,941 | - | 577,096 |
| Buildings | 368,913 | 42,865 | - | 411,778 |
| Furniture and equipment | 443,792 | 36,839 | - | 480,631 |
| Vehicles | 722,613 | 77,261 | (8,629) | 791,245 |
| Total accumulated depreciation | 1,978,473 | 290,906 | (8,629) | 2,260,750 |
| Government activities capital assets, net | \$ 5,550,195 | \$ 85,281 | \$ - | \$ 5,635,476 |

| | <u>Beginning of Year</u> | <u>Additions</u> | <u>Deletions</u> | <u>End of Year</u> |
|--|------------------------------|------------------|------------------|------------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 9,604 | \$ - | \$ - | \$ 9,604 |
| Capital assets being depreciated: | | | | |
| Sewer system | 4,930,244 | 153,402 | - | 5,083,646 |
| Water system | 1,627,418 | - | - | 1,627,418 |
| Vehicles | 41,588 | 15,519 | - | 57,107 |
| Furniture and equipment | 120,636 | 9,130 | - | 129,766 |
| Total capital assets being depreciated | 6,719,886 | 178,051 | - | 6,897,937 |
| Less accumulated depreciation for: | | | | |
| Sewer system | 3,358,737 | 139,978 | - | 3,498,715 |
| Water system | 737,695 | 41,287 | - | 778,982 |
| Vehicles | 38,121 | 3,904 | - | 42,025 |
| Furniture and equipment | 104,663 | 1,886 | - | 106,549 |
| Total accumulated depreciation | 4,239,216 | 187,055 | - | 4,426,271 |
| Business-type activities capital assets, net | \$ 2,490,274 | \$ (9,004) | \$ - | \$ 2,481,270 |

Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------------|------------|
| General and administrative | \$ 11,107 |
| Public safety | 35,323 |
| Highway and streets | 26,621 |
| Health and recreation | 190,010 |
| Community center | 27,845 |
| Total depreciation | \$ 290,906 |

5) Long-Term Debt

Long-term debt is comprised of the following at July 31, 2013:

General obligation bonds:

| | |
|---|-------------------|
| \$550,000 General Obligation Bonds, Series 1995, interest at 2.45%, administrative fee .5%, principal and interest payable through the year 2015 | \$ 65,000 |
| \$500,000 General Obligation Bonds, Series 2008, interest payable ranging from .1% to 5%, principal and interest payable through the year 2027 | 400,000 |
| \$305,000 Certificate of Indebtedness, Series 2012, interest ranging from 0.35% to 3.50%, principal and interest payable through the year 2022 | <u>305,000</u> |
| | <u>\$ 770,000</u> |

Revenue bonds payable:

| | |
|--|-------------------|
| \$2,500,000 Sewer revenue bonds payable, interest at 2.45%, administrative fee .5%, principal and interest payable through the year 2014 | <u>\$ 160,000</u> |
|--|-------------------|

Long-term liability activity for the year ended July 31, 2013, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--------------------------------|----------------------|-------------------|---------------------|-------------------|-----------------------------------|
| Governmental activities: | | | | | |
| General obligation | \$ 515,000 | \$ - | \$ (50,000) | \$ 465,000 | \$ 50,000 |
| Certificate of indebtedness | <u>-</u> | <u>159,123</u> | <u>-</u> | <u>159,123</u> | <u>14,086</u> |
| Total governmental | <u>\$ 515,000</u> | <u>\$ 159,123</u> | <u>\$ (50,000)</u> | <u>\$ 624,123</u> | <u>\$ 64,086</u> |
| Business-type activities: | | | | | |
| Revenue bonds | \$ 315,000 | \$ - | \$ (155,000) | \$ 160,000 | \$ 160,000 |
| Certificate of indebtedness | <u>-</u> | <u>145,877</u> | <u>-</u> | <u>145,877</u> | <u>12,914</u> |
| Total business- type | <u>\$ 315,000</u> | <u>\$ 145,877</u> | <u>\$ (155,000)</u> | <u>\$ 305,877</u> | <u>\$ 172,914</u> |

Debt service requirements at July 31, 2013 were as follows:

Governmental activities:

| <u>Year Ended July 31,</u> | <u>Principal</u> | <u>Interest</u> |
|----------------------------|-------------------|-------------------|
| 2014 | \$ 64,086 | \$ 52,783 |
| 2015 | 69,086 | 56,051 |
| 2016 | 35,130 | 19,088 |
| 2017 | 40,130 | 17,984 |
| 2018 | 40,651 | 16,366 |
| 2019-2023 | 230,040 | 60,707 |
| 2024-2028 | 145,000 | 18,115 |
| | <u>\$ 624,123</u> | <u>\$ 241,094</u> |

Business-type activities:

| <u>Year Ended July 31,</u> | <u>Principal</u> | <u>Interest</u> |
|----------------------------|-------------------|------------------|
| 2014 | \$ 172,914 | \$ 6,980 |
| 2015 | 12,914 | 2,217 |
| 2016 | 13,870 | 2,143 |
| 2017 | 13,870 | 2,048 |
| 2018 | 14,349 | 1,940 |
| 2019-2023 | 77,960 | 5,718 |
| | <u>\$ 305,877</u> | <u>\$ 21,046</u> |

Interest charged to expense during the year ended July 31, 2013 totaled \$33,780, of which \$24,497 was for governmental activities and \$9,283 was for business-type activities.

6) Interfund Transactions

Individual fund interfund receivable and payable balances which are not expected to be repaid within a year at July 31, 2013 were:

| | <u>Due From</u> | <u>Due To</u> |
|------------------------------|-------------------|-------------------|
| General fund | \$ 342,094 | \$ - |
| Street and alley maintenance | 885 | - |
| Combined bond | 50 | - |
| Utilities system fund | - | 344,503 |
| Non-major funds | 1,474 | - |
| | <u>\$ 344,503</u> | <u>\$ 344,503</u> |

7) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at July 31:

| | 2013 | 2012 |
|--------------------|-----------|-----------|
| Customers deposits | \$ 74,518 | \$ 70,828 |

8) Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

Non-spendable -

includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted -

includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained or due to constitutional provisions or enabling legislation.

Committed -

includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (Board of Aldermen) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment.

Assigned -

includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Mayor.

Unassigned -

includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Town does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

| Major special revenue fund | Revenue source |
|----------------------------|--|
| Streets and Alley Fund | 32% of 2½% sales tax described in Note 9 |

9) Dedication of Proceeds and Flow of Funds - 2 ½% Sales and Use Tax

Proceeds of a 2 ½% sales and use tax levied by the Town of Lake Arthur, Louisiana (2013 collections \$780,390, 2012 collections \$857,507) are dedicated to the following purposes:

| | |
|--------------|------|
| General Fund | 60% |
| Streets | 32% |
| Water | 6.8% |
| Sidewalks | .8% |
| Drainage | .4% |

10) Pension Plan

Municipal Employees' Retirement System:

Plan description:

The Town of Lake Arthur contributes to the Municipal Employees' Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employee's Retirement System, State of Louisiana. The Municipal Employees' Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State, which did not have their own retirement systems and which elected to become members of the System. The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for

municipalities participating in both plans, while Plan "B" participates in only the original plan. The Town of Lake Arthur is a member of plan "B" of the retirement system. The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Blvd., Baton Rouge, Louisiana 70809 or calling 225-925-4810.

Funding policy:

Plan members are required to contribute 5.00% of their annual covered salary and the Town of Lake Arthur is required to contribute at a statutorily determined rate. The current rate is 8% of annual covered payroll. The contribution requirements of plan members and the Town of Lake Arthur are established and may be amended by the Board of Trustees. The Town of Lake Arthur's contributions to the Municipal Employees' Retirement System of Louisiana for the years ending July 31, 2013, 2012, and 2011 were \$22,317, \$21,162, and \$18,213, respectively, equal to the required contributions for each year.

Municipal Police Employees' Retirement System:

Plan description:

The Town of Lake Arthur contributes to the Municipal Police Employees' Retirement System, a cost-sharing multiple-employer plan administered by the Municipal and State Police Employee's Retirement System of Louisiana. The Municipal Police Employees' Retirement System was established as of July 1, 1973, by Act 189 of the 1973 and amended by RS 33:2371 of the 1986 session to become Municipal and State Police Retirement System of Louisiana. The System is a state retirement system which was created to provide retirement benefits for full time municipal police officers in Louisiana, and state police officers hired after January 1, 1987. The System is administered by a Board of Trustees of the Retirement Committee of the House of Representatives and the Chairman of the Senate Finance Committee, or their designees, to serve as voting ex-officio members of the board. The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Blvd., Baton Rouge, Louisiana 70809 or calling 225-925-4810.

Funding policy:

Plan members are required to contribute 10% of their annual covered salary and the Town of Lake Arthur is required to contribute at a statutorily determined rate. The current rate is 31% of annual covered payroll. The contribution requirements of plan members and the Town of Lake Arthur are established and may be amended by the Board of Trustees. The Town of Lake Arthur's contributions to the Municipal Police Employees' Retirement System for the years ending July 31, 2013, 2012, and 2011 were \$2,474, \$8,172, and \$6,431, respectively, equal to the required contributions for each year.

11) Litigation

The Town is involved in several lawsuits. The Town Attorney estimates that the potential claims against the Town that are not covered by insurance resulting from such litigation would not materially affect the financial statements of the Town.

12) Accumulated Unpaid Compensated Absences

The Town's policy on annual leave is that if the time is not taken during the year earned it will be forfeited; that is, no carryover of time or compensation in lieu of time off will be allowed.

The Town's policy on sick leave is 10 days per year. Unused sick leave can be accumulated up to 30 days to be used for prolonged illness, but the Town will not pay for unused sick leave.

13) Landfill Joint Venture

The Town is a participant in a joint venture referred to as the Jefferson Davis Parish Sanitary Landfill Commission. This entity was chartered on February 17, 1984. The Commission's purpose is the establishment of a long-term plan for the disposal of solid wastes in Jefferson Davis Parish. According to the charter, each participant in the Commission is responsible for a pro rata share of any operating deficits. Likewise, any distributions of surpluses are also shared on a pro rata basis. Each participant's pro rata share is based on the number of households within each participant's unit to the total number of households within all participating units. These proportions were determined using the 1980 U.S. Census as follows:

| <u>Locality</u> | <u>Number of Households</u> | <u>Percentages</u> |
|--|---------------------------------|--------------------|
| Jennings | 4,161 | .421196 |
| Welsh | 1,167 | .118129 |
| Lake Arthur | 1,212 | .122684 |
| Parish (excluding Jennings, Welsh, Lake Arthur and Elton) | <u>3,339</u> | <u>.337991</u> |
| Totals | <u>9,879</u> | <u>1.000000</u> |

The Commission consists of six commissioners as follows: two residents of Jennings, one resident of Welsh, one resident of Lake Arthur, and two residents of Jefferson Davis Parish living outside the city limits of Jennings, Welsh, Lake Arthur and Elton. The Commission members are to be appointed by the governing body of their place of residence.

The Commission has the power and authority to employ personnel, adopt its own budget and enter into agreements necessary for the operation of the Landfill. In certain instances, some agreements must be consented to by all six members of the Commission.

Condensed financial information for the Jefferson Davis Parish Sanitary Landfill as of December 31, 2012 (the latest available audited financial statements which is available in a separately issued financial report) was as follows:

| | <u>Total</u> | <u>Lake Arthur (12.2684%)</u> |
|--------------------------|--------------|-----------------------------------|
| Total assets | \$ 5,717,833 | \$ 701,487 |
| Total liabilities | 29,060 | 3,565 |
| Total net position | 5,688,773 | 697,922 |
| Total revenues | 1,508,173 | 185,029 |
| Total expenditures | 1,412,442 | 173,284 |
| Increase in net position | 95,731 | 11,745 |

As of December 31, 2012, the Commission had no long-term debt outstanding.

The Landfill Commission as owner of a sanitary landfill is subject to recent Environmental Protection Agency (EPA) regulations that require monitoring the landfill site for 30 years following closure of the site in addition to other closure requirements. These regulations also mandate that landfill owners provide financial assurances that they will have the resources available to satisfy the post closure standards. These guarantees can be third-party trusts, surety bonds, letters of credit, insurance, or state sponsored plans. According to the Commission's contract with the site operator, "...the contractor shall be

responsible for closure in accordance with the permit..". Additionally, "...the contractor's post closure care, maintenance and monitoring responsibility shall be three (3) years, or as required by law...". In the event the operator is for whatever reason unwilling or unable to fulfill this requirement, the responsibility for closure and post closure monitoring will revert back to the Commission.

Additionally, because of the industry the Commission participates in, certain potential liabilities are always present. These include, but are not limited to, environmental cleanup costs and EPA penalties for violation of its regulations. The EPA is empowered by law (through the Superfund legislation) to seek recovery from anyone who ever owned or operated a particular contaminated site, or anyone who ever generated or transported hazardous materials to a site (these parties are commonly referred to as potentially responsible parties, or PRPs). Potentially, the liability can extend to subsequent owners or to the parent company of a PRP. While there are no asserted or unasserted potential costs or penalties at the date of this report that the Commission is aware of, the potential is present.

During the year ended December 31, 2012, the Commission voted to make a distribution to the four local government bodies that participate in the Landfill Commission and funded its construction and early operations. The distributions were made in the same proportions as the original investments by the governments. For the Town of Lake Arthur, the distribution amounted to \$104,772 which is recorded as "landfill revenues" in the General Fund in the fiscal year ended July 31, 2013.

14) Amounts Paid Members of Governing Board

| | |
|------------------------|------------------|
| Mr. Robert B. Bertrand | \$ 7,200 |
| Ms. Dorothy Charles | 2,400 |
| Ms. Sherry Crochet | 2,400 |
| Mr. Ellsworth Duhon | 2,400 |
| Mr. David Hanks | 2,400 |
| Mr. Troy Trahan | 2,400 |
| | <u>\$ 19,200</u> |

15) Subsequent Events

Management has evaluated subsequent events through the date of the financial statements were available to be issued, January 17, 2014.

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OTHER SUPPLEMENTAL INFORMATION

TOWN OF LAKE ARTHUR, LOUISIANA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
July 31, 2013

| | <u>Special Revenue</u> | | <u>Total</u> |
|---------------------------------------|---------------------------------|---------------------------------|-------------------------------|
| | <u>Sidewalk Maintenance</u> | <u>Drainage Maintenance</u> | <u>Governmental Funds</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 54,858 | \$ 94,737 | \$ 149,595 |
| Due from other fund | - | 1,474 | 1,474 |
| Total assets | <u>\$ 54,858</u> | <u>\$ 96,211</u> | <u>\$ 151,069</u> |
| LIABILITIES AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ 1,033 | \$ 1,033 |
| FUND BALANCE | | | |
| Reserved | - | - | - |
| Unreserved, undesignated | <u>54,858</u> | <u>95,178</u> | <u>150,036</u> |
| Total liabilities and fund balance | <u>\$ 54,858</u> | <u>\$ 96,211</u> | <u>\$ 151,069</u> |

TOWN OF LAKE ARTHUR, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
Year Ended July 31, 2013

| | <u>Special Revenue</u> | | <u>Total</u> |
|-----------------------------|------------------------|--------------------|---------------------|
| | <u>Sidewalk</u> | <u>Drainage</u> | <u>Governmental</u> |
| | <u>Maintenance</u> | <u>Maintenance</u> | <u>Funds</u> |
| Revenues: | | | |
| Taxes | \$ 6,243 | \$ 54,880 | \$ 61,123 |
| Interest | - | 105 | 105 |
| Total revenues | <u>6,243</u> | <u>54,985</u> | <u>61,228</u> |
| Expenditures: | | | |
| Highways and streets | <u>21,392</u> | <u>67,903</u> | <u>89,295</u> |
| Net changes in fund balance | (15,149) | (12,918) | (28,067) |
| Fund balance, beginning | <u>70,007</u> | <u>108,096</u> | <u>178,103</u> |
| Fund balance, ending | <u>\$ 54,858</u> | <u>\$ 95,178</u> | <u>\$ 150,036</u> |

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REPORT OF INDEPENDENT AUDITORS ON
INTERNAL CONTROL AND COMPLIANCE

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Paula J. Thompson, CPA
Robin Anderson Conrad, CPA



Judson J. McCann, Jr., CPA, Retired
Martin L. Chechotsky, CPA, CFE, CFPSM
Carl W. Comeaux, CPA, Retired

CFE - Certified Fraud Examiner
CFP - Certified Financial Forensics
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Board of Aldermen
Town of Lake Arthur
Lake Arthur, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana, as of and for the year ended July 31, 2013, and the related notes to the financial statements, which collectively comprise the Town of Lake Arthur, Louisiana's basic financial statements and have issued our report thereon dated January 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Lake Arthur, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lake Arthur, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Lake Arthur, Louisiana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material, yet important enough to merit attention by those charged with governance. We consider items 13-1 through 13-2, which we described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Lake Arthur, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Lake Arthur, Louisiana's Response to Findings

The Town of Lake Arthur, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Lake Arthur, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Burch

Lake Charles, Louisiana
January 17, 2014

TOWN OF LAKE ARTHUR, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended July 31, 2013

13-1 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

13-2 Financial Reporting

Condition: In our judgment, the Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable resources to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Criteria: The Auditing Standards Board issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Auditing standards emphasize that the auditor cannot be part of your system of internal control over financial reporting.

TOWN OF LAKE ARTHUR, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended July 31, 2013

Effect: Material misstatement in financial statements could go undetected.

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

TOWN OF LAKE ARTHUR, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
Year Ended July 31, 2013

12-1 Segregation of Duties

Condition: This finding was a reportable condition relating to the entity's size and limited number of accounting personnel which made it impossible to achieve effective internal accounting control.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Current status: This condition still exists; however, the Town has implemented supervision and review procedures as recommended.

12-2 Financial Reporting

Condition: This finding was a material weakness relating to the entity's inability to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Recommendation: Management should mitigate this weakness by having a heightened awareness of all transactions being reported.

Current status: This condition still exists; however, the Town has implemented recommended procedures.

TOWN OF LAKE ARTHUR, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR AGREED UPON
PROCEDURE FINDINGS

Year Ended July 31, 2013

Payroll Process

1. Payroll Policy

Recommendation: We recommend that the Town strengthen their policy regarding documentation of hours worked by employees.

Current status: We noted that the Town strengthened their "time accounting" policy to include stronger documentation requirements of hours worked.

2. Employee Timesheets

Recommendation: We recommend that employees be responsible for filling out their own timesheets.

Current status: We noted that the Town strengthened their policy to include wording requiring employees to personally account for their own time.

3. Employee Timesheet Attestation

Recommendation: We recommend that each employee sign a document attesting to the fact that they worked the hours listed on their timesheet.

Current status: We noted that timesheets now include a line for the employee's signature attesting to the fact that they worked the hours listed on the timesheet.

TOWN OF LAKE ARTHUR, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR AGREED UPON
PROCEDURE FINDINGS

Year Ended July 31, 2013
(Continued)

4. Police Overtime

Recommendation: We recommend that the Police Chief keep a log of all overtime hours worked and document the reason for the overtime.

Current status: We noted that the Police Department timesheets now include an area for recording the reason for overtime worked. The Police Chief vouches the hours and reason during her review of timesheets prior to payroll.

5. Police Hours Worked

Recommendation: We recommend that the Police Chief pay officers only for hours actually worked and not estimated hours worked.

Current status: It appears that the Police Chief is relying on estimates as little as possible, but estimates and employee honesty are relied on in sensitive situations, such as undercover work, etc.

Cash Disbursement Process

1. Purchase Order Policy

Recommendation: We recommend that the Town implement a purchase order policy regarding the disbursement process.

Current status: We noted that the Town implemented a purchase order policy for disbursements.

TOWN OF LAKE ARTHUR, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR AGREED UPON
PROCEDURE FINDINGS

Year Ended July 31, 2013
(Continued)

2. Obtaining Purchase Orders

Recommendation: We recommend that a purchase order be obtained for any purchases of goods or services over a threshold set by the management of the Town.

Current status: We noted that purchase orders were obtained for several purchases tested over the documented threshold.

3. Payment of Invoices

Recommendation: We recommend that any document supporting receipt of the goods be matched to the invoice and attached prior to payment.

Current status: We noted that invoices were matched to purchase orders documenting receipt prior to payment.

4. Approval of Bills

Recommendation: We recommend that prior to submission to the council for approval, the listing of bills to be paid by department should be given to each department head for their final review of account coding and whether or not all goods and services have been received prior to payment.

Current status: We noted that approval was obtained on invoice and account coding prior to payment.

TOWN OF LAKE ARTHUR, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR AGREED UPON
PROCEDURE FINDINGS

Year Ended July 31, 2013
(Continued)

Credit Card Process

1. Documentation

Recommendation: We recommend that documentation on credit card receipts for travel expenses be more consistent with IRS guidelines.

Current status: We noted that credit card receipts submitted contained descriptions of business purpose, as suggested in the IRS guidelines.

2. Credit Card Policy

Recommendation: We recommend that the Town implement a policy relating to credit card receipt documentation.

Current status: We noted that the Town implemented a policy relating to the use of credit cards.